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# Accommodating the Urban Informal Sector in the Public Policy Process

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The informal economy, in all the ambiguity of its connotations, has come to constitute a major structural feature of society, both in industrialized and less developed countries. And yet, the ideological controversy and political debate surrounding its development have obscured comprehension of its character, challenging the capacity of social sciences to provide a reliable analysis.

Portes, Castells, and Benton (1989:1)

## **Abstract**

The role of the urban informal sector (UIS) in development has been one of many contentious issues in the public policy area. In Indonesia, evaluations of and policy attentions toward the UIS is mainly concerned with the high growth rate of this sector and with its perceived negative effects on the urban built environment. This is especially true for street enterprises, the most dominant sub-group of the UIS in the country. Their continued presence in the markets and sidewalks of the cities produces various conflicting opinions about the importance of their retailing activities to the overall urban economy of Indonesia. The objectives of this project are to analyze the social and economic factors which underlie street vending activities; to raise policy issues and develop policy options in the urban development planning of Bandung Metropolitan Region (BMR); and to write a research and policy paper for city administrators, urban planners, member of parliament, academia, NGO workers, mass media reporters, and street traders (including street trader associations) in BMR. As a result, the project will produce two interrelated papers, namely a research paper and a policy paper. The main aim of research paper is to provide some basic information concerning the socio-economic characteristics of street enterprises in BMR, as well as detail the major existing policy measures and legislation relating to the operation of street enterprises in the study area. The policy paper uses the findings of the research paper to enhance the public policy making process and to suggest open and integrated policy measures concerning the operation of street enterprises within the urban built environment.

## INTRODUCTION

In different context and using different perspectives, the informal sector is known by many different names. It has been variously referred to as the informal economy, the unregulated economy, the unorganised sector, or unobserved employment, to cite but a few. This sector typically refers to both economic units and workers involved in various commercial activities and occupations that operate beyond the realm of formal employment (Williams and Windebank, 1998; Suharto 2002). In the urban context, the informal sector includes small enterprise operators selling food and goods or offering services and thereby involving the cash economy and market transactions. This so-called “urban informal sector” (UIS) is more diverse than the rural one and includes a vast and heterogeneous variety of economic activities through which most urban families earn their livelihoods. The activities of the UIS in the public arena of cities are particularly apparent in the case of street-based trading, which is widely known as street vendors or *pedagang kakilima* in the local language. Although these street enterprises are mostly hidden from the state in terms of taxation, they involve very visible structures, and are often subject to certain limited administrative processes such as simple registration or daily collection fees. The main forms are retail trade, small-scale manufacturing, construction, transportation, and service. These economic activities involve simple organisational, technological and production structures. They also rely heavily on family labour and a few hired workers who have low levels of economic and human capital and work on the basis of informal employment laws (Suharto, 2000; 2001; 2002).

With reference to street enterprises, the issue of government intervention towards the informal sector is particularly related to its business operation. Street traders operate their businesses in areas that can be classified as public spaces and are originally unintended for trading purposes. As most street trading occupies busy streets, sidewalks, or other public spaces, these activities are often considered to be illegal. This status makes traders victims of harassment and susceptible to threats from police and other government authorities. The police and local government occasionally attempt to enforce the law and sometimes in doing this they could be accused of overzealous, arbitrary or discriminatory. In Bandung City, for example, the municipality government continues to perform “clearance” operations in the seven busiest areas (expanded from five areas since 2001), namely Jalan Sudirman, Asia Afrika, Dalem Kaum, Kapatihan, Dewi Sartika, Otista, and Plaza Bandung Indah complex. The government believes that these areas should be free from the “nuisance” of *pedagang kakilima*, especially during event days (i.e. international meetings, the celebration of Asia Africa Conference, a visit of central government officials) occurred in the city. This actually often involves a policy of “clear-the-streets and arrest-vendors” so as to remove street enterprises from areas in which they have been operating.

## **THE PROBLEM**

According to Yankson (2000:315), as the urban informal economy expands, there is bound to be a proliferation of workshops and worksites or an intensification in the use of informal economic locations. This can breed and exacerbate environmental problems (i.e. traffic congestion) and health hazards (bad food or unhealthy food) associated with the operation of informal economic activities. The expansion of the UIS leads to an increased demand for suitable sites with the requisite infrastructure and services. Unless the urban development planning responds with the appropriate policy and programmes, any attempts to promote their economic potential as well as to minimise negative effects of their operations cannot be initiated. A failure of the urban management system to integrate the UIS into the city master plan will result in a haphazard and scattered pattern of informal economic enterprises within the urban built environment.

In BMR, there are areas of visible agglomeration of such enterprises, particularly along the major transport arteries and streets (e.g. the streets of Asia Africa, Dalem Kaum, Kapatihan, and Dewi Sartika) and in road reservations in the city. Street enterprises are also concentrated in other areas, such as markets, commercial complexes, and bus stations, where crowds congregate day and night. Above all, they are found in open spaces and low-income residential neighbourhoods, usually through squatting on public or privately owned land. In BMR, very little, if any, attention has been paid to integrating the UIS into the urban development planning process. Not only does the municipal and district government have little understanding on the nature of micro-economic activities, the local government authority has also not seriously considered the aspirations and needs of street traders.

This research project will therefore address these issues, and seek to integrate the analysis within the urban space and economy. The aim is that this will enable policy makers and city administrators to identify a number of policy options and programmes for accommodating the operation of small and micro-enterprises. These results can be shared with some advanced countries, especially in the European Union nations where there is an exclusion of some citizens from both formal employment and welfare provision and hence a growth of the informal economy (Williams and Windebank, 1998:29).

## **LITERATURE REVIEW**

In most developing and developed countries, the activities of the informal sector were not included in national employment statistics (Suharto, 2002). In an attempt to bring this sector to national attention as well as to allay fears concerning the apparent high level of unemployment, it has now become a common feature in many developing and developed nations to include the informal sector in national figures (see Portes, Castells and Benton, 1989; Thomas, 1992; Williams and Windebank, 1998). However, their activities, which are mostly unregistered and unrecorded in national income accounts, are still the main factor in making the sector as unimportant or 'untouchable'

sector. The main reason for this is that the activities are almost always outside the scope of state regulation and protection. Even if the activities are registered, in most cases the informal sector does not follow any labour protection regulations, job security provisions or other workplace protection measures (see ILO, 1998; UNDP, 1997; Williams and Windebank, 1998).

### **Defining the UIS and street traders**

In the urban context, the informal sector is often referred to as consisting of small enterprise operators selling food and goods or offering services and thereby involving the cash economy and market transactions. This informal enterprise tends to be more diverse than the rural one and includes a vast and heterogeneous variety of economic activities through which most urban families earn their livelihoods. The main forms are retail trade, small-scale manufacturing, construction, transportation, service, and domestic work operating either as home-based or public-based activities. Activities of the UIS in the public arena of cities are particularly apparent in street-based trading. Although these street enterprises are mostly hidden from the state for tax, they involve very visible structures, and are often subject to certain limited administrative processes, such as simple registrations or daily collection fees.

Putting the distinction of street traders under the umbrella concept of urban informal sector, Suharto's study in Bandung (2002) generates a typology of those categorised as street traders or *pedagang kakilima* compared to other urban informal activities as shown in Figure 1. On the basis of observations and interviews with street traders and their customers, the study suggests that the *pedagang kakilima* in Bandung meet all or most of the following criteria:

- They operate in public premises, which are not intended for business purposes, such as the roadside, pavement and other connected-to-street premises (e.g. near public market, the square, green areas).
- They trade a variety of items that can be categorised as food, goods, or services for economic benefits involving market transactions.
- They form linkages with the rest of economy, especially backward linkages with the modern-formal sector (e.g. many commodities sold by *pedagang kakilima* are industrially manufactured goods).
- They are mostly unlicensed, but not categorised as criminal by law or the regulations of the Bandung administrative area.
- They do not pay tax, but pay daily fees to the city authorities such as for sanitary and security purposes.
- Their businesses commonly involve family members in both ownership and management systems.
- Their enterprises are small and are mostly own-account workers or employing less than five workers, including unpaid family members or apprentices.
- Their employment is not protected by any sort of employment benefit either from government (e.g. social services, pension) or labour union (e.g. insurance, fixed salaries).

- Their establishments are mostly characterised by inadequate infrastructure and technology, and limited economic and human capital.

!-----> !	Clandestine activities (eg. crime, gambling, prostitution)	--> Transport sector (eg. becak drivers, motorbike taxi drivers)	----> <b>FOOD VENDORS</b>
<b>THE URBAN INFORMAL SECTOR</b> ---->	<b>STREET-BASED ACTIVITIES</b> ---->	<b>STREET ENTERPRISES</b> (Static/Semi-static Vendors)	----> <b>GOOD VENDORS</b>
! !----->	Non street-based activities (eg. household activities)	Mobile/ itinerant traders --> (eg. pedagang keliling, pedagang asongan)	----> <b>SERVICE VENDORS</b>

FIGURE 1: A typology of pedagang kakilima  
Source: Suharto (2002:189)

Note that this study avoids the terms “shadow”, “invisible”, or “hidden economy”. This means that it does not assume that the informal sector is an economic activity that somehow operates in the hidden interstices of contemporary society. On the contrary, the argument here is that the informal sector is observable in the communities in which it takes place. Even in areas where informal activity is condoned it is visible not only to society, but also to the state authorities (Williams and Windebank, 1998). This study also avoids the other common tendency of referring to the informal sector as a criminal activity, known as the “black”, “underground”, or “clandestine economy”. Unless the informal activity is illegal by nature, in this study it will be considered legitimate or “somewhat legal” in all other respects (see Thomas, 1992; 1995). The term informal sector is not synonymous with criminal, antisocial, or morally questionable activities, such as theft, prostitution, drug dealing, or gambling (de Soto, 1989).

### Role of the UIS

The role of the UIS in development has been one of the many contentious issues in public policy. In Indonesia, the evaluation of and policy attention towards the UIS is mainly concerned with the high growth rate of the sector and with its negative effects on the urban built environment. This is especially true for street vendors which are the most dominant sub-group of the UIS in the country (Suharto, 2002). Their continued presence in the markets and sidewalks of the cities produces a variety of conflicting opinions about the importance of their retailing activities in the overall urban economy of Indonesia.

The importance of the informal sector to Indonesia's development is obvious in terms of employment creation and income generation, especially to low income communities. High and uneven population distribution, an increasing rate of growth of urban population, and the effects of slow industrialisation all appear to call out for initiatives to create employment alternatives to address the unprecedented growth of the labour force. During the 1990s, the employment situation in Indonesia was particularly difficult with employment in the formal sector unable to absorb the growing labour force. Between 1990 and 1997, although the labour participation rate increased from 55 percent to 58 percent, the work opportunity rate decreased from 97 percent to 95 percent. As a result, the open unemployment rate increased from 1.7 percent to 4.7 percent during the same period (CBS, 1995:19; CBS, 1997:1).

Indonesia has one of the largest informal economies in the world. As in many other Third World countries, the informal sector in Indonesia still accounts for most of the total employment and has, therefore, a predominant influence in creating a more equitable distribution of incomes in rural as well as in urban development. During the 1980s and 1990s, the number of those who constitute the economically active population and who depend on the informal sector as their main source of employment and income has been consistently higher than sixty percent of the total labour force (see Suharto, 2002). In 1998, it consisted of 43 million in rural areas and 14 million in urban areas or about 65 percent of the total working population (CBS, 2001; Hugo, 2000:125). In 2000, out of 89,837,730 working population, the number of people working in the informal sector was 58,307,164 people (64.90%)

As widely reported in both national and local newspapers, the growth of the informal sector was at particularly high levels during the recent economic crisis. The crash of the modern economy between 1997 and 1999, involving the closure of banks, factories and service agencies, pushed the newly unemployed to more than double the size of the informal sector. In the case of street enterprises, the increase in numbers is even more impressive. In Jakarta and Bandung, for example, from the end of 1996 to 1999 the growth in street vendors was estimated at 300 percent (Kompas, 23 November 1998; Pikiran Rakyat, 11 October 1999).

Despite the fact that the informal sector provides a livelihood for huge numbers in the national labour force, this sector continues to suffer from low productivity, poor working conditions, low incomes and few opportunities for advancement. Although some of the more structured groups of the informal sector, such as street traders, tend to have an entrepreneurial character and sometimes high incomes, it is widely recognised that the informal sector is still vulnerable. By and large, informal workers operate with little capital, in limited markets, receive inadequate economic returns, and have low levels of living standards (Suharto, 2001).



## **Business and locational decisions of the UIS**

In the cities of developing countries, informal economic activities are found in almost all main roads and arteries as well as in residential areas. From the point of view of development planning, it is important to understand why the operators of these small-scale informal enterprises choose the sites or locations where they run their enterprises. To arrive at this understanding, the analysis of some theoretical models of industrial locations is first required.

Amin (1993), amongst others, has suggested an agenda for integrating the UIS into the urban planning process. He believed that such accommodation could lead to the better management of the urban economy and environment. However, in order to be substantial the integration of the UIS into the urban planning does need to address a number of issues. At minimum, questions such as how to provide the sector with access to appropriate worksites, how to encourage the creation of adequate and suitable workshops, appropriate environmental services and ensure security of tenure for vendors' sites are important to be taken into account (Yankson, 2000).

Perera (1994) has argued that the lack of suitable premises for production and marketing is a fundamental limitation on the growth of informal enterprises. Such a deficiency inhibits capital investment and the creditworthiness of these enterprises. Access to permanent workplaces at suitable locations is essential for capital investment, increased production and productivity for informal enterprises. According to Sethuraman and Ahmed (1992) adopting such an approach could facilitate technological upgrading and improve the quality of goods and services produced within the informal economy.

Yankson (2000:316) suggests that the site selection of operators of informal economic units is at the core of the integration issue. He maintains that the pre-existing location pattern of the units influences the operators' decisions to select land use configuration and to invest in them. Cumulatively they will produce a certain type of land use configuration, but they are selecting between patterns and individually. The location pattern for workshop sites also has a bearing on employment and environment relationships. Yankson further outlines the main tenet of location theories. He states that there are two main lines in such a classical model: the first seeks to maximize profits through the least cost approach, the second seeks to increase profits via the maximisation of sales. However, Yankson (2000:316) confirmed that:

Location is not simply a matter of achieving maximum profits, whether through minimisation of costs or maximisation of sales. There are other variables that need to be considered: locational interdependence, the difficulty of evaluating the relevant variables, especially costs in different locations, market conditions and the policies of rival firms, and whether firms indeed seek to maximise their profits or not.

According to Yankson (2000), the classical model is not a good framework for studying the location decisions of small firms, particularly in developing countries. It does not allow for uncertainty, hence it probably cannot provide satisfactory explanations of the spatial behaviour of small entrepreneurs in non-Western countries. He went on to argue that the behavioral model developed by Pred in 1967 is more

likely to be beneficial and complementary to the classical model (Yankson, 2000:317).

It focuses on people's incomplete knowledge and inability to utilize available information in order to obtain optimal location in terms of concerned profits. These considerations are taken up by Dijk in 1983 in order to develop a framework called the behaviouristic location model. In this analysis of the actions of small enterprises, the model places uncertainty as a main point (Yankson, 2000). As Yankson (2000:317) asserts: "This uncertainty arises from the illegal status of most small enterprises, the lack of tenure or security of their plots, their inability to secure suitable sites and legal title to land, the illegal status of their workshops and a land use planning system that does not take their interests into consideration."

To analyze the business and location decisions of the UIS in BMR, this study draws on the approach to site selection evident in Dijk's model and developed further by the Yankson framework. The model outlines a scenario of location decision-making and identifies those factors that are likely to influence the relocation of an enterprise. It includes amongst other things security of tenure, the personal relations between an entrepreneur and his or her customers, and the price of a plot or workshop.

### **Model of policy approaches**

Based on a study of hawkers in some Southeast Asian Cities, McGee and Yeung (1977:42-44) made an analytical model of policy stances towards the hawkers by setting three spheres of activities covering location, structure and education as presented in Table 1. The activities fall into a continuum of actions range from positive to negative going from left to right in the table.

The first approach is locational actions designated to interfere with the ecological patterns of hawkers. These may be undertaken by conducting clearance operations (negative attitudes) or offering new legalised sites (positive attitudes).

The second is structural actions designed to eliminate or develop hawkers according to their economic base. For example, actions intended to eliminate the hawkers would be a government takeover of marketing chains or government encouragement for alternative employment opportunities at higher incomes to encourage hawkers to leave their job. Actions geared to develop hawkers' business conditions could well take the form of provision of monetary credit facilities to help in the expansion of hawker operations.

The third is educational actions which are designed to change attitudes towards hawkers or among hawkers. A negative policy would be the public campaign stressing the danger of purchasing commodities from hawkers from the hygiene point of view. Whilst the positive one could be the provision of training for hawkers in such areas as hygiene and sanitation practices, business management, marketing, bookkeeping, and customer relations.

Table 1: A Model of Policy Approaches towards Hawkers

POLICY OPTIONS	MODEL A	MODEL B	MODEL C	MODEL D
Locational	Allow hawkers to sell legally from whichever locations they desire	Allow hawkers to sell legally from some locations but remove others to public markets or approved "sites"	Relocate hawkers in locations chosen by government authorities	Clear hawkers from all locations in city and do not allow them to sell within the city
Structural	Encourage hawkers by: (a) offering government loans; (b) providing inducements to enter hawking profession (e.g. exempting from military service if individual becomes a hawker); (c) taking no legal action against hawkers for employing children on stalls; (d) allowing existing marketing chains to remain; (e) making large firms distribute commodities through hawkers outlets	Limited encouragement of hawkers by small-scale operation of measures put forward in Model A	Limited discouragement of hawkers by small-scale operation of measures put forward in Model D	Discourage hawkers through: (a) high license fees; (b) making hawking punishable by many legal restrictions; (c) offering high salaries to hawker enforcement agencies' employees
Educational	Encourage hawkers by: (a) typifying them as examples of successful entrepreneurs (b) educating public to utilize services of hawkers (c) encouraging philosophy of education that emphasizes experience as against schooling	Limited encouragement by small-scale operation of measures put forward in Model A	Limited discouragement by small-scale operation of measures put forward in Model D	Discourage hawkers by: (a) emphasizing the immorality of hawking; (b) stressing the possibilities of corruption, petty crime that exists in hawking; (c) stressing the dangers of hawkers from the point of view of hygienic, etc.

Source: McGee and Yeung (1977:43)

## **OBJECTIVES OF THE PROJECT**

The project basically aims to produce two interrelated papers, namely research paper and policy paper, with regard to the operation of street enterprises within the context of urban development planning of BMR.

The research paper is intended to (a) identify major characteristics of street vending and working and environmental conditions of the enterprise in which they are operating, such as business profiles, social and economic determinants of street vending activities, and factors influencing the selection of worksites of the street traders in the urban space economy; and (b) highlight existing policy measures and legislations relating to the operation of street enterprises, such as approaches of the measures, problems and implementation patterns, stakeholders (advocates, opponents, decision-makers) involved, and participation and communication procedures in policy-making.

The policy paper is intended to (a) increase the awareness and involvement of different policy stakeholders so as to enhance the sound process of public policy making; and (b) suggest open and integrated policy measures and interventions to public policy administrators concerning the operation of street enterprises within the adequate framework of urban built environment.

## **RESEARCH STRATEGIES**

### **Research methods**

The research undertaken by this study followed the triangulation method. This mixed-research strategy involves different quantitative and qualitative research approaches and multiple techniques of data collection, such as surveyed questionnaires, observations, focused interviews, and document study. The fieldwork for this study was located in Bandung Metropolitan Region (BMR) for about three months, between June and August 2003.

The triangulation method refers to a combination of strategies to study the same phenomenon employing “between methods” or “across methods” derived from multiple quantitative and qualitative techniques of data collection (Suharto, 2002). As identified by Greene, Caracelli and Graham (1989), the particular purpose of the triangulation method is to seek convergence, corroboration, and correspondence of results from the different research strategies (Suharto, 2002). This method leads to greater confidence in the results and offers an innovative approach to the study of social issues.

### **The selection of research sites and respondents**

Bandung Metropolitan Region (BMR), the city selected as the study area, shares much in common with other large Indonesian cities in terms of the level and pace of urban development as well as the severe economic downturn associated with recent structural adjustment. Bandung is the capital of West Java province situated 180

kilometres southeast of Jakarta, the capital of Indonesia. With a population of over 4 million, BMR serves as a regional centre for administrative and business activities. This makes it a destination for rural migrants in search of employment as it has large and varied informal activities, including household-based commodity production, street traders, and itinerant petty traders (pedagang keliling).

In administrative term, BMR consists of two areas: the district (kabupaten) and the municipality (kotamadya). Four research sites were selected within both areas on the basis of “multistage cluster sampling technique” (de Vaus, 1991:67) in which the sampling areas is selected on the basis of with multi-stage classification (Suharto, 1994:31). These areas were considered as sampling blocks and included four main blocks such as the street, public market, commercial complex, and bus station. These areas were taken into consideration because they typically contain a cluster of street enterprises. The respondents of the research were operators of street vending selected on the basis of place of operations and types of productions.

In this study, the nine sites in municipality and district regions were chosen following their main functional activities as shown in Table 2: (a) Market (pasar) owned by local government; (b) Private shopping area (pertokoan) with small and medium-sized shops; (c) Commercial complex with large-sized malls, super-markets, and private business offices; and (d) Public transport station: a transportation destination commonly situated just outside or adjacent to, the street, market or private shopping area.

Table 2: Number of Street Enterprises under Study in BMR

REGIONS AND THEIR MAIN FUNCTIONAL ACTIVITIES	NUMBER	PERCENT
Municipality		
• Jalan Dewi Sartika (commercial complex, private shopping area)	24	13.48
• Pasar Baru (market, private shopping area)	20	11.24
• Terminal Leuwipanjang (bus station)	28	15.73
• Kebon Kalapa (commercial complex, pick-up station)	20	11.24
District		
• Jalan Banjaran (private shopping area)	22	12.36
• Jalan Dayeuhkolot (private shopping area)	25	14.04
• Pasar Banjaran (market, private shopping area)	20	11.24
• Terminal Banjaran (pick-up station, market)	9	5.06
• Ciparay (market, private shopping area)	10	5.61
	178	100.00

Source: Fieldwork (2003)  
Workshop

In addition to the fieldwork, a two day workshop involving different stakeholders was conducted in Bandung in 21 and 22 January 2004. The main aims of the workshop were to disseminate the findings of the research to various policy stakeholder and to generate policy issues and options with them. In the first day of the workshop, this research project and three papers from BAPPEDAs (District and Municipal Development Planning Boards) and IPGI (Indonesian Partnership on Local

Governance Initiative) were presented and discussed. On the second day, the workshop mainly focused on identifying alternative policy options on how to integrate street enterprises in BMR.

The workshop was attended by 37 invited and 57 other participants. The invited participants included city administrators (officials of BAPPEDAs, municipal and district offices of social affairs, city council, office of market affairs), members of academia (Bandung Institute of Technology, Padjadjaran University, Pasundan University, Langlang Buana University and the Bandung School of Social Welfare), NGO activists (Kesuma Foundation, IPGI, Bandung Institute for Governance Studies/BIGs), several mass media reporters (Republika Daily, Pikiran Rakyat Daily, MQFM Radio, Maraghita Radio) and a number of street traders (street trader associations of municipal and district areas). The other participants were bachelor, master and doctorate students as well as lecturers from the aforementioned universities, city dwellers, and street traders from both district and municipal areas interested in the topic.

## **RESEARCH FINDINGS**

### **BMR and street enterprises**

Bandung Metropolitan Region (BMR) is one of the three largest urban agglomerations in Indonesia, after Jabotabek (Jakarta metropolitan region) and Gerbangkertosusilo (Surabaya metropolitan region). In 2001, the population of Kotamadya Bandung reached 2.1 million with an average population density of 12,758 people per square kilometre. Whilst, with an average population density of 1,207 the population of Kabupaten Bandung was 3.7 million people in the same year. It is not possible to determine exact statistics for the UIS in Bandung for both kotamadya (municipality) and kabupaten (district) areas, since recent and extensive surveys on this matter are not available. In the case of street enterprises, however, it is possible to figure out their numbers, distribution, and some main features. In 1999, the Municipal Government (PEMDA) commissioned a survey to explore the basic characteristics of the street trader group within its own administrative area. PEMDA estimated that the number of street traders was 32,000 (PEMDA, 1999).

Compared to the city population, the vendor density per 1,000 city inhabitants is about 15.2. This means that one vendor serves about 66 people. Street enterprises are agglomerated in specific locations, which are close to places where they can be approached easily and favourably by their consumers. Specific sites for fieldwork were therefore selected on the basis of dominant economic activities of the areas such as streets and markets which contain a pocket of street traders. All these locations reflect their physical proximity to the main road and also show their reliance on business activities located on the road. At these locations, public transportation passes along the road at all times and there is a considerable volume of traffic. In relation to both the central city and the dominant economic facilities, the locations reveal certain marked differences. However, since all nine sites were located in relatively connected urbanized areas, they share many similarities, particularly in terms of their geographic and demographic profiles. This means that the analysis of street enterprises in municipal and district areas was not segregated. Such differences that did exist will only be spelled out when a striking feature merits discussion.

## **Business profiles of street enterprises**

Generally, street enterprises in BMR can be categorised as those selling food (57.9%), trading goods (33.7%), and offering services (8.4%). For example, food vendors include those offering meals, drinks, cigarette, and candies. Good vendors consist of those selling personal needs (shirts, towels, spectacles, and wallets), basic commodities (toothpastes, soaps, perfumes, candles, and lamps) and household wares (beds, tables, chairs, buckets, and saucepans). Service vendors may range from “creative services” such as shoe-shining, hair cutting, tailoring, and fortune telling to “repair services” such as the repair of shoes, watches and clocks, keys, bicycles, lighters, electrical devices, umbrellas, and home appliances. In selling a variety of items and services, the vendors can be found in various places and structures. The majority of vendors uses a cart (dorongan) (39%), kiosk (34%) and mat or basket (23.6%) for their wares and operate their business on the pavement, street or roadside (badan jalan), public facility, sewerage and a green area, respectively. Some street traders also shift and move their locations from, for instance, the pavement near a school or hospital in the morning to the roadside at the entrance of the square, park, or movie theatre, where crowds congregate at night.

The variety of products sold tends to follow a potential market of the products. This seems to reflect that street traders have market awareness. Thus, although the trading in each location encompasses all three kinds of businesses (food, goods, and services), since their locations are not far from schools, hospitals, and pick-up station, where food consumers are very numerous street traders in Kebon Kalapa, for example, are more likely to sell food. In general, the one main factor that contributes to the large number of street vendors in BMR is economic: the high demand for lower price items. The reason that city inhabitants purchase food, goods or services from street enterprises is because the prices of most street products are always lower than those for restaurants, shops or supermarkets. Almost all strata of the community were observed to purchase items from street vendors. However, the main consumers generally come from middle to lower classes, from schoolteachers to taxi drivers, from office guards to becak (pedicab) drivers, and from office clerks to construction workers.

Most street trade in BMR is conducted by men (71.3%) who operated their business during the day (78.7%), night (3.4%) and day and night (17.4%). Of the 178 street traders surveyed, 37.1 percent had successfully completed Junior High School (12 years schooling), followed by 34.8 percent and 22.5 percent of those who completed Primary Education (9 years schooling), and Senior High School (15 years schooling). For very small enterprises, the amount of capital needed to start and operate a business varies considerably from activity to activity. The larger and more technically skilled the establishment is, the higher the demand for capital (see Suharto, 2002). For example, street traders offering services such as hair cutting and shoe-shining require little initial and working capital, while traders operating a street restaurant, or selling clothes, shoes, and fruits need substantially more.



Based on the mean value of the stock, the average working capital of the street vendors was estimated to be slightly above Rp.1,500,000 or calculated at the rate of \$ 1= Rp.8,000, about \$187. Family businesses are critical elements in the economy of street enterprises. In most countries the UIS and street trading especially, is a family business and hence a larger circle of family or kin labour is essential to the functioning of the street establishment (Tinker, 1997:154-5). The information about the source of capital demonstrates the importance of family to the establishment and maintenance of the UIS. Sources of capital for these small enterprises typically are informal lending schemes such as from family (47%) and unregistered moneylenders (23%).

In terms of trading revenues, most street traders seemed to have no difficulty to remembering expenditures and profits although they hardly ever keep written records of their cash flow. After weighting up their answer against the observed daily cash flow, the vendor's daily average profits were about Rp. 53,686 (\$6.7) meaning that their net income per month was placed their revenues up Rp.1,610,580 (\$201). These findings appear to show that street traders make a reasonable profit from their trading. This earning is substantially higher than the poverty line established by the World Bank of \$1 per day per capita. On a monthly basis, this earning is also well above the standard minimum wage of formal employment, known as UMR or upah minimum regional (regional minimum wages) of nearly Rp.500,000 per month (\$62.5).

Several studies reveal a similar pattern in other words that, on aggregate, the incomes in the informal sector were comparable to those in the formal sectors and even superior to some of them (e.g. Thomas, 1995, Tinker, 1997). Tinker's study (1997:174), for example, revealed that while street food traders in Thailand earn incomes that are relatively higher than the lower to middle ranges of waged employees, in Pune, 75 percent of the traders earn an income that is above the official poverty line for a family of four – although 15 percent of traders achieve this by combining vending income with other sources – and 10 percent of traders earned income below the poverty line (see also Suharto, 2002).

In addition to the socioeconomic background of street enterprises, the rest of the paper deals with the motivations of business operators to participate in trading and decision making in the selection worksites. Understanding these various factors is crucial to understanding motive behind their participation in the business, as well as to provide additional information about the history of business activities. This information can be used to elaborate policy alternatives for integrating the UIS into urban planning. Policy makers, for examples, can make decisions to select locations that suit street traders' preferences and motive. Street traders were asked to express their opinions on the nine areas of reasons of participating in street enterprises (Table 3) and ten factors determining their selection of worksites (Table 4). Five attitudinal scales (strongly disagree, disagree, neutral, agree, and strongly agree) were used to measure the response toward corresponding items with response range was 1 to 5.

### Socioeconomic reasons to become street traders

The majority of respondents said that they participate in street trading because of the difficulty of entry into the formal job sector (4.11). This can otherwise be expressed as the ease of entry into street trading (3.78). In order to obtain an income, it is relatively easy to start and operate the business. They can, for example, create it with their own knowledge and skills, or they can operate by following their predecessors through kinship networks. As to the rest of the variables (questions number 6 to 9), their low average mean (2.15 and 3.25) indicates that these reasons had relatively less influence on their decision. It is interesting to note that although their net income is higher than the poverty line and is relatively favourable in comparison to other available sources of income, they believed that street trading is not a job that provides adequate income and high social status as shown by the average mean scores of 2.91 and 2.15 respectively.

This belief may be caused by the fact that the poverty line and regional minimum wages are actually very low. They are based on very basic physical needs (calorie intake) and do not take into account social needs, such as education and housing. As a result, while those who have incomes below the poverty line and who are unable to purchase their basic needs can be labeled as being extremely poor or destitute, those who are able even to meet the costs of the basic necessities cannot automatically be labeled as “not poor” since their incomes are still in the lower tail of the income distribution of the country. They are still likely to face problems of overcrowded housing, lack of access to transport and recreation facilities, which, although not being life-threatening, represent deprivation compared to the rest of the population.

Table 3: The Reasons to Participate in Street Enterprises

THE REASONS	NUMBER	STANDARD DEVIATION
It is difficult to obtain a job in the formal sector	4.11	1.013
Easy to enter/start the street enterprises	3.78	0.832
Easy to operate the street enterprises	3.71	0.722
It is a job that is suited to knowledge and skills	3.41	1.049
I am just following predecessors (parent, relative, friend, neighbour)	3.34	1.170
It is a job that is interesting to me	3.25	0.938
It is a job that is challenging to me	3.21	0.938
It is a job that provides adequate income	2.91	0.896
It is a job that provides high social status	2.15	0.703

Source: Fieldwork (2003)

Table 4: The Reasons for Selecting Worksites

THE REASONS	NUMBER	STANDARD DEVIATION
Best location to attract customers	3.77	0.787
Availability of access road	3.71	0.865
Lack of alternative sites	3.71	0.998
Harrasment from security avoided	3.39	0.964
Security of tenure or plot	3.25	0.961
Proximity to house	3.17	1.192
Free workshop space	2.80	1.054
Plot located by municipal authority	2.74	1.058
Easy combination with family responsibility	2.72	0.889
Availability of services at sites	2.67	0.996

Source: Fieldwork (2003)

### Factors influencing the selection of worksites

The result of the analysis presented in Table 4 show that the best location to attract customers is the most important factor influencing the location for business activities. This is followed equally by availability of access road (3.71) and the lack of alternative sites (3.71). The table also shows that avoiding harassment from local security services, questions of the security of tenure of the plot, and proximity to residence are important considerations for street traders' decision-making in selecting their workplaces. This information reveals that although street traders are widespread in many different places, their locations always reflects their reliance on economic activities either located on, or affected by, the street. Thus, while many street enterprises are found on the main roads or intersections, some clogged sidewalks or pathways reflecting their physical proximity and access to the streets. They know how to sell and make profits by selecting only those strategic locations where demand for their products is high.

As elsewhere, the popular image of street vendors in BMR would place them congregating around potential business locations. In Jalan Dewi Sartika, Pasar Baru, and Kebon Kalapa, for example, street enterprises surround the market (pasar), shopping area (pertokoan), and commercial complex trading food, commodities, and services to city dwellers. In Leuwipanjang and Terminal Banjaran, on the other hand, street vendors were found at and nearby the bus and pick-up stations selling products to travelers and drivers. In addition to these locations, the street traders, mainly food sellers, were also observed at the entrance of schools, universities, and hospitals, providing food to their customers, such as pupils, students, patients, staff and visitors (see Suharto, 2002a).

## EXISTING POLICY MEASURES AND LEGISLATIONS

The study of relevant documents as well as discussions with city administrators, academia and NGO activists through interviews and the workshop highlighted the fact that policies toward street enterprises in BMR tend to be permissive in nature. Referring to model of policy approaches discussed in the literature review, the major type of policy intervention that deals with street enterprises can be categorised as location. It emphasizes policies of restriction and relocation. This form of intervention generally ranges from Model B (allow hawkers to sell legally from some of their locations but remove from others to public markets or approved “sites”) to Model C (relocate hawkers in locations chosen by government authorities). Examples of the actions can be summarized as follows:

- Tidying up street vendors wares, especially those operating on the pavement of certain locations so that their businesses do not occupy streets (badan jalan) and that their performances meet the minimum standard of city cleanliness and attractiveness.
- Applying temporal variations in the daily use of urban space by allowing street traders to set up morning market (02.00-07.00 am) and evening market (06.00-12.00 pm) in streets and parking lots in the central areas of the cities.
- Regulating street vendors in existing locations by issuing “licenses” for simple identification. The common license is mainly in the form of registration card with a photo, stating the name of the trader, main type of trading and specified location. In municipal and district regions, this registration is intended to stabilise the operation of street vendors in central areas of the city so that their numbers and operations can be controlled .
- Removing street vendors from restricted locations in city. In the municipal region, this action involves the strategy of “clear-the-street-and-arrest-the-traders” by removing street vendors from seven points of central city, namely Jalan Sudirman, Asia Afrika, Otista, Kapatihan, Dalem Kaum, Dewi Sartika and Plaza Bandung Indah areas.

Compared to the district government, it can be said that the municipal government of Bandung has relatively more awareness in dealing with street enterprises. This evaluation is based, amongst other things, by the fact that many areas in the District of Bandung (e.g. Banjaran, Dayeuhkolot and Majalaya) often appear in the local newspapers, radio, and television as overcrowded towns with “unregulated” traffics and too many street enterprises. On the other hand, although there is no “special” legislation dealing with street enterprises, the government of Bandung Municipality does have to some extent some general legislations that deals with the operation of street traders. Among others, are:

- Local Legislation No. 06/1995 concerning Law Order and City Cleanliness and Beauty (Perda Nomor 06 tahun 1995 tentang Ketertiban, Kebersihan dan Keindahan)
- Local Legislation No.08/1996 concerning Registration of Economic Enterprises (Perda Nomor 08 tahun 1996 tentang Tanda Daftar Kegiatan Usaha)

Based on these two main laws, the municipal government has the right to clear vendors from the streets principally in the name of maintaining social order. In 1996, for example, the government introduced a removal strategy to free the five busiest areas of the city from the operation of street vendors. As stated by Enjang Soedarsono, the vice mayor of Bandung city at that time, the reason is that the presence of street enterprises can breed social disorder (Kompas, 1997; Suharto, 2002:4). Since 2001, under the mayor AA Tarmana this strategy of city clearance has been continued and expanded to seven points of the city areas as mentioned above. In the end year of 2003, the new mayor Dada Rosada applied even tougher actions to remove street enterprises from these seven points of the city. As a consequence, demonstrations and clashes between street traders and security officers frequently occurred during the removal operations (Republika, 2003).

In BMR, like other cities in Indonesia, cities are administered under the local government office (Kantor PEMDA) and headed by a mayor called Bupati for district area and Walikota for municipal area. There is no special department or division in the PEMDA office which has direct responsibility to manage street vendors. The PEMDA office is a coordinating body through which policies originated from DPRD (Local Parliament) and BAPPEDAs are distributed to a series of sectoral offices or departments, such as Satuan Polisi Pamong Praja (Public Security Office), Kantor Sosial (Office for Social Affairs), Dinas Pasar (Department of Market Affairs), PD Kebersihan (Office for City Cleanliness), and Dinas Kooperasi dan UKM (Department of Cooperative and Small-Scale Enterprises Affairs). Amongst the above agencies, the Public Security Office appears to be the most powerful with respect to street vendor activities. It is entrusted with enforcing law and order within the city and it is the one office that has primary responsibility for clearance operations against street enterprises. Thus, while policies on street vendors are complicated, the policies toward street enterprises are the concern of many departments and mainly concerned with law and order, traffic regulation, and city cleanliness.

In Bandung Municipality, street traders are organised by APPKL (Asosiasi Pekerja dan Pedagang Kaki Lima) or Association of Street Traders and Workers which is now headed by Mr Iwan Suhermawan. Representatives of the association invited to participate in the workshop revealed that although not all street traders in Bandung become members, the association has been active in promoting and channeling the interests of street traders in a particular location of, for instance, Cicadas, Alun-alun, and Tegal Lega. The primary concerns of the association are to keep the market and working conditions of street vendor operations clean and orderly as well as to provide a good means for complaining about injustices and harassments from public security officers who often perform street clearance operations without fair notification and consideration. The representatives of the street vendor associations reported that the associations are fairly powerless against the government. They also argued that social change organisations and advocacy groups, such as NGOs, grass-root activists, mass media groups, and some political parties lack commitments to back-up and promote street vendors interests.

Generally speaking, the implementation of policies towards street vendors are not successful. As reported in the mass media, the recent clearance operation of street vendors in seven points of Bandung City has been subject to critics. There is a question on the costs of the operation and its sustainability in the long run (Republika, 2003, Pikiran Rakyat, 2004). There are also questions concerning the policy making process. Discussions with street traders, academia, NGO activists as well as city administrators revealed that the policies were initiated and developed without consultation with street vendor representatives. Many argued that the development of policies towards street vendors contains bias from private car owners whom are considered as the dominant interest group to feed into and influence policy making. They generally only see the disadvantages of street enterprises operations and perceive the congregation of the UIS as the main cause of traffic congestion. Therefore it is not surprising that the main tenet of the policies is not to integrate the street vendors into the urban planning, but rather to abandon them from it.

## CONCLUSIONS

The research offers basic descriptions and profiles of the study area and the respondents of this study, including a review of BMR, its economy and its inhabitants. The features of urban development in the region reflect several important patterns of development trajectory occurring in other metropolitan regions, such as Jakarta Metropolitan Region (Jabotabek) and Surabaya Metropolitan region (Gerbang Kertosusilo), and more broadly in the national and international context. Economic and social development in Bandung has contributed to a level of industrialisation and urbanisation in which the contribution of the agricultural sector to the BMR economy is decreasing, and being replaced by trade, manufacturing and the service sectors.

In BMR most street traders sold foods and operate on the streets adjacent to markets, private shopping areas, commercial complexes and public transport stations. Although the types of enterprises varied, they generally consist of food, goods and services. The principal finding concerning the enterprise characteristics of street trading reveals that with many street vendors obtaining benefits from kinship networks, especially as sources of capital, the largest enterprise category of the street vendors can be referred to as a family establishment. As a family enterprise, street trading in BMR involves kin relationships in its history of business activities as well as in its production processes and employment characteristics.

With reference to income earnings, it seems likely that most street traders are not living in poverty and they are by no means amongst the poorest of society, especially measured according to the poverty line of \$1 a day. While in aggregate and average terms most street trader incomes are higher than the poverty line, on the basis of the regional minimum wage, street trading provides a favourable source of income compared to the low skilled formal sector and other visible alternatives, such as unskilled construction workers. The main factor determining involvement in street trading is the lack of job opportunities in the formal sector. This is followed by the explanation that it is easy to start and operate a street enterprise, and that the UIS is a job suited to knowledge and skills of the operators. On the basis of the factors influencing the selection of sites, the urban informal street vendors in BMR perceive

that business location should be attractive to customer and have access to main roads in order to offer the widest possible markets.

The study indicates that policies need to be sensitive on characteristics and aspirations of street enterprises in BMR. The policy options should not degrade their income earning opportunities. For example, if the government plans to provide alternative works, they should be easy enough to start and be operated, and that the jobs should be suited to knowledge and skills of the operators. If the policies are to provide alternative sites, then the best location to attract customers and easy availability of access roads should be amongst the most important considerations. Other considerations that should be taken into account are that they should be harassment-free from security officers, that they should have security of tenure, and that the operator should have proximity to house.

The existing policies toward street enterprises in BMR are partial, permissive and elitist in nature. They emphasize restriction and relocation and do not take into account the characteristics and opinions of the population not even the car owners. Regulating and monitoring the operation of street enterprises encompassed by term “locational policy” can by no means solve the problems associated with street business activities. Therefore, government authorities and urban planners should recognize the need to accommodate the UIS in the urban policy-making process. In accordance with the model of policy approaches outlined in the literature review, it can be suggested that rather than excluding them from the urban economy, there is a need to shift the policy paradigm from locational evictions to educational and structural integration. In sum, a policy that specifically addresses and is responsive to the interests of the UIS is of particularly paramount in the urban policy making. These policy issues and recommendations are discussed further in the policy paper.

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